The Fiscal Monitor

A Publication of the Department of Finance

Highlights

January 2001: budgetary deficit of $1.1 billion

There was a budgetary deficit of $1.149 billion in January 2001, compared to a surplus of $811 million in January 2000. Of this $2.0 billion year-over-year deterioration in the fiscal balance, $1.4 billion was attributable to the Relief for Heating Expenses.

April 2000 to January 2001: budgetary surplus of $16.4 billion

Over the first 10 months of fiscal year 2000-01, the budgetary surplus was estimated at $16.4 billion, up $4.6 billion from the surplus of $11.8 billion reported in the same period of 1999-2000.

These results continue to be in line with the average private sector forecast of the fiscal surplus for 2000-01, as set out in the October 18, 2000, *Economic Statement and Budget Update*. Over the balance of the fiscal year, the cumulative budgetary surplus is expected to continue to decline, as the full impact of various policy actions is realized. These include the reduction in personal income tax rates; the elimination of the 5-per-cent surtax; increases in the thresholds; the restoration of full indexation of the personal income tax system; and funding for health information and communications technology and the Canada Foundation for Innovation. The net impact of these initiatives is estimated to be at least $3 billion. In addition, corporate income tax revenues over the balance of the year are expected to be lower, reflecting timing considerations. In the *Economic Statement and Budget Update*, a surplus for the year as a whole of $11.9 billion was estimated, of which a minimum of $10 billion was committed to reducing debt.

January 2001: budgetary results

The year-over-year deterioration in the budgetary balance of $2.0 billion was largely attributable to higher program spending, up $2.4 billion. This increase was primarily due to the heating expense relief payment and timing factors reflecting Y2K-related contingency planning in December 1999, as noted in last month's *Fiscal Monitor*.

On a year-over-year basis, budgetary revenues were up 2.6 per cent, or $0.4 billion. Among the major components:

- Personal income tax revenues were down 0.6 per cent, primarily reflecting lower receipts from monthly deductions from employment income, due to the impact of the tax relief measures announced in the October 2000 *Economic Statement and Budget Update*.
- Corporate income tax revenues were up 2.1 per cent, reflecting higher corporate profits in 2000.
- Employment insurance (EI) premium revenues increased 6.8 per cent, primarily due to recoveries for underpayments in January 2000. Excluding these recoveries, EI premium revenues would have declined, reflecting the reduction in premium rates (the employee rate for 2001 is $2.25 per $100 of insurable earnings compared to $2.40 in 2000).
- Excise taxes and duties were up 10.4 per cent, reflecting strong growth in goods and services tax (GST) revenues and customs import duties, primarily attributable to the timing of receipts.
- Non-tax revenues were down 24.9 per cent, reflecting the timing of receipts.

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Table 1
Summary statement of transactions

	January		April to January	
	2000	2001	1999-00	2000-01
	($ millions)			
Budgetary transactions				
Revenues	13,648	14,000	133,533	144,563
Program spending	-9,288	-11,765	-87,365	-93,776
Operating surplus	4,360	2,235	46,168	50,787
Public debt charges	-3,549	-3,384	-34,375	-34,408
Budgetary balance (deficit/surplus)	811	-1,149	11,793	16,379
Non-budgetary transactions	2,609	4,259	-2,753	-5,570
Financial requirements/source (excluding foreign exchange transactions)	3,420	3,110	9,040	10,809
Foreign exchange transactions	-6,099	-1,694	-6,407	-1,566
Net financial balance	-2,679	1,416	2,633	9,243
Net change in borrowings	-2,084	2,458	-2,688	-14,158
Net change in cash balances	-4,763	3,874	-55	-4,915
Cash balance at end of period			9,170	8,039

Note: Positive numbers indicate a net source of funds. Negative numbers indicate a net requirement for funds.

Within program spending, on a year-over-year basis:

- Major transfers to persons were up $1.4 billion due to the heating expense relief payment. Higher elderly benefit payments were offset by lower EI benefit payments.
- Major transfers to other levels of government were up 13.9 per cent, reflecting higher cash transfers under the Canada Health and Social Transfer (CHST) and equalization programs.
- Direct program spending was up 19.2 per cent, reversing the year-over-year decline of 11.0 per cent in December 2000. As noted in last month's *Fiscal Monitor*, the December 1999 and January 2000 results were affected by the timing of payments related to contingency planning with respect to the Y2K computer problem.

The decline in public debt charges, on a year-over-year basis, was attributable to timing adjustments.

April 2000 to January 2001: budgetary results

Over the first 10 months of fiscal year 2000-01, the budgetary surplus was estimated at $16.4 billion, up $4.6 billion from the surplus of $11.8 billion reported in the same period of 1999-2000.

Budgetary revenues were up $11.0 billion, or 8.3 per cent, on a year-over-year basis. Among the major revenue components:

- Personal income tax collections were up $4.2 billion, or 6.4 per cent, primarily reflecting higher receipts from monthly deductions from employment income, due to increases in the number of people employed. In addition, higher taxes paid on filing and lower refunds, pertaining to the 1999 taxation year, also contributed to the year-over-year increase. Dampening the impact of these factors is the effect of the tax relief measures announced in the February 2000 budget and the October 2000 *Economic Statement and Budget Update* and higher transfers to the Canada Pension Plan and EI accounts, reflecting underpayments with respect to the 1999 taxation

Table 2
Budgetary revenues

	January			April to January		
	2000	2001	Change	1999-00	2000-01	Change
	($ millions)		(%)	($ millions)		(%)
Income taxes						
Personal income tax	6,798	6,758	-0.6	66,663	70,897	6.4
Corporate income tax	1,608	1,642	2.1	15,748	19,153	21.6
Other income tax revenue	589	655	11.2	2,762	3,002	8.7
Total income tax	8,995	9,055	0.7	85,173	93,052	9.3
Employment insurance premium revenues	1,347	1,439	6.8	14,659	15,024	2.5
Excise taxes and duties						
Goods and services tax	2,088	2,340	12.1	19,742	21,455	8.7
Customs import duties	108	219	102.8	1,871	2,293	22.6
Sales and excise taxes	705	643	-8.8	6,888	6,954	1.0
Total excise taxes and duties	2,901	3,202	10.4	28,501	30,702	7.7
Total tax revenues	13,243	13,696	3.4	128,333	138,778	8.1
Non-tax revenues	405	304	-24.9	5,200	5,785	11.3
Total budgetary revenues	13,648	14,000	2.6	133,533	144,563	8.3

year. Over the balance of the fiscal year, growth in this component will be further restrained as the full impact of tax reductions announced in the February 2000 budget and October 2000 *Economic Statement and Budget Update* is realized.

- Corporate income tax revenues were up $3.4 billion, or 21.6 per cent, reflecting the increase of 23.4 per cent in corporate profits registered in 2000. However, the growth in revenues is expected to continue to decline over the balance of the year, given the composition of corporate profits and the monthly instalment procedures.
- EI premium revenues were up $0.4 billion, or 2.5 per cent, as the decline in premium rates for 2000 and 2001 was more than offset by the impact of prior-year adjustments and the growth in the number of people employed and therefore paying premiums.
- Excise taxes and duties increased by $2.2 billion, or 7.7 per cent. GST revenues were up $1.7 billion, or 8.7 per cent, in line with the growth in consumer demand. Customs import duties were up strongly, while sales and excise taxes were up marginally.
- Non-tax revenues were up $0.6 billion, or 11.3 per cent.

Program spending increased by $6.4 billion, or 7.3 per cent, in the April 2000 to January 2001 period, compared to the same period in 1999-2000. This increase was spread among all major components.

- Major transfers to persons were up 5.9 per cent, attributable to the heating expense relief payment and higher elderly benefits. The higher elderly benefits reflect an increase in the number of individuals eligible for benefits and higher average benefits, which are indexed to inflation. EI benefit payments were lower, reflecting fewer beneficiaries due to the decline in the number of unemployed, dampened by the impact of higher average benefit rates and higher transfers to provinces under the Labour Market Agreements.

Table 3

Budgetary expenditures

	January			April to January		
	2000	2001	Change	1999-00	2000-01	Change
	($ millions)		(%)	($ millions)		(%)
Transfer payments to:						
Persons						
Elderly benefits	1,909	2,054	7.6	19,451	20,133	3.5
Employment insurance benefits	1,324	1,157	-12.6	9,204	8,775	-4.7
Heating expense relief		1,434			1,434	
Total	3,233	4,645	43.7	28,655	30,342	5.9
Other levels of government						
Canada Health and Social Transfer	1,042	1,125	8.0	10,417	11,250	8.0
Fiscal transfers	989	1,181	19.4	9,020	10,201	13.1
Medical Equipment Fund					1,000	
Alternative Payments for Standing Programs	-188	-206	9.6	-1,876	-2,055	9.5
Total	1,843	2,100	13.9	17,561	20,396	16.1
Direct program spending						
Subsidies and other transfers						
Agriculture	690	57	-91.7	1,220	440	-63.9
Foreign Affairs	160	149	-6.9	1,212	1,175	-3.1
Health	43	105	144.2	861	925	7.4
Human Resources Development	96	366	281.3	1,247	1,181	-5.3
Indian and Northern Development	161	206	28.0	3,270	3,473	6.2
Industry and Regional Development	77	87	13.0	1,136	1,100	-3.2
Veterans Affairs	119	130	9.2	1,157	1,208	4.4
Other	160	202	26.1	1,682	1,779	5.7
Total	1,506	1,302	-13.6	11,785	11,281	-4.3
Payments to Crown corporations						
Canadian Broadcasting Corporation	20	65	225.0	730	843	15.5
Canada Mortgage and Housing Corporation	150	150	0.0	1,495	1,520	1.7
Other	70	82	17.1	875	1,221	39.5
Total	240	297	23.8	3,100	3,584	15.6
Operating and capital expenditures						
Defence	740	1,004	35.7	8,643	8,652	0.1
All other departmental expenditures	1,726	2,417	40.0	17,621	19,521	10.8
Total	2,466	3,421	38.7	26,264	28,173	7.3
Total direct program spending	4,212	5,020	19.2	41,149	43,038	4.6
Total program expenditures	9,288	11,765	26.7	87,365	93,776	7.3
Public debt charges	3,549	3,384	-4.6	34,375	34,408	0.1
Total budgetary expenditures	12,837	15,149	18.0	121,740	128,184	5.3
Memorandum item:						
Total transfers	6,582	8,047	22.3	58,001	62,019	6.9

- Major transfers to other levels of government were up 16.1 per cent, reflecting higher cash transfers under the CHST and equalization programs, as well as the $1-billion payment in trust to the provinces and territories for new medical equipment, to support the agreements reached by the first ministers on health renewal and early childhood development. The increase in CHST cash transfers reflected the 1999 budget measure to increase base funding from $12.5 billion in 1999-2000 to $13.5 billion in 2000-01. The increase in equalization entitlements was attributable to the continued stronger economic growth in Ontario than in the equalization-receiving provinces.
- Direct program spending, consisting of total program spending less the major transfers to persons and other levels of government, increased by 4.6 per cent. This component includes subsidy and other transfer payments, payments to Crown corporations, and the operating and capital costs of government, including defence. Developments in this component are affected by the timing of payments, the impact of new initiatives announced in the 2000 budget, and the lifting of the wage freeze.

Public debt charges were up marginally, as an increase in the average effective interest rate on interest-bearing debt more than offset a decline in the stock of that debt.

Financial source of $10.8 billion (excluding foreign exchange transactions) for April 2000 to January 2001

The budgetary balance is presented on a modified accrual basis of accounting, recording government liabilities when they are incurred, regardless of when the cash payment is made. In addition, the budgetary balance includes only those activities over which the Government has legislative control.

In contrast, financial requirements/source measures the difference between cash coming in to the Government and cash going out. Financial requirements/source differs from the budgetary balance as the former includes transactions in loans, investments and advances, federal employees' pension accounts, other specified purpose accounts, and changes in other financial assets and liabilities. These activities are included as part of non-budgetary transactions. The conversion from accrual to cash is also reflected in non-budgetary transactions.

Non-budgetary transactions resulted in a net requirement of $5.6 billion in first 10 months of 2000-01, compared to a requirement of $2.8 billion in the same period in 1999-2000. This was attributable, in part, to the payments related to the pay equity settlement, changes to the financing of the Canada Student Loans Program, and the investing of current contributions to the federal employees' pension plans in the private market.

As a result, with a budgetary surplus of $16.4 billion and a net requirement of $5.6 billion from non-budgetary transactions, there was a financial source (excluding foreign exchange transactions) of $10.8 billion in the April 2000 to January 2001 period, compared to a financial source of $9.0 billion in the same period in 1999-2000.

Net financial source of $9.2 billion for April 2000 to January 2001

Foreign exchange transactions represent all transactions in international reserves held in the Exchange Fund Account. The purpose of the Exchange Fund Account is to promote order and stability in the foreign exchange market. The buying of Canadian dollars represents a source of funds from exchange fund transactions, while the selling of Canadian dollars represents a requirement. Changes in foreign currency liabilities, which are undertaken to change the level of Canada's foreign exchange reserves, also impact on foreign exchange transactions. Taking all of these factors into account, there was a net requirement of $1.6 billion in the first 10 months of 2000-01, compared to a net requirement of $6.4 billion in the same period in 1999-2000.

Table 4

The budgetary balance and financial requirements/source

	January		April to January	
	2000	2001	1999-00	2000-01
		($ millions)		
Budgetary balance (deficit/surplus)	811	-1,149	11,793	16,379
Loans, investments and advances				
Crown corporations	86	53	393	401
Other	41	-43	-63	-885
Total	127	10	330	-484
Specified purpose accounts				
Canada Pension Plan Account	-482	-352	-471	-876
Superannuation accounts	504	17	4,206	1,571
Other	-24	17	-130	-31
Total	-2	-318	3,605	664
Other transactions	2,484	4,567	-6,688	-5,750
Total non-budgetary transactions	2,609	4,259	-2,753	-5,570
Financial requirements/source (excluding foreign exchange transactions)	3,420	3,110	9,040	10,809
Foreign exchange transactions	-6,099	-1,694	-6,407	-1,566
Net financial balance	-2,679	1,416	2,633	9,243

Table 5

Net financial balance and net borrowings

	January		April to January	
	2000	2001	1999-00	2000-01
		($ millions)		
Net financial balance	-2,679	1,416	2,633	9,243
Net increase (+)/decrease (-) in borrowings				
Payable in Canadian dollars				
Marketable bonds	8	1,500	6,957	9,819
Canada Savings Bonds	-4	136	-684	-1,067
Treasury bills	-1,950	900	-5,450	-20,250
Other	50	34	-285	-62
Total	-1,896	2,570	538	-11,560
Payable in foreign currencies				
Marketable bonds	0	0	2,527	-2,202
Notes and loans		-580		-580
Canada bills	-180	468	-5,489	220
Canada notes	-8		-264	-36
Total	-188	-112	-3,226	-2,598
Net change in borrowings	-2,084	2,458	-2,688	-14,158
Change in cash balance	-4,763	3,874	-55	-4,915

Table 6

Condensed statement of assets and liabilities

	March 31, 2000	January 31, 2001	Change
		($ millions)	
Liabilities			
Accounts payable, accruals and allowances	40,748	31,250	-9,498
Interest-bearing debt			
Pension and other accounts			
Public sector pensions	128,346	129,917	1,571
Canada Pension Plan (net of securities)	6,217	5,341	-876
Other pension and other accounts	6,963	6,932	-31
Total pension and other accounts	141,526	142,190	664
Unmatured debt			
Payable in Canadian dollars			
Marketable bonds	293,927	303,746	9,819
Treasury bills	99,850	79,600	-20,250
Canada Savings Bonds	26,489	25,422	-1,067
Non-marketable bonds and bills	3,552	3,490	-62
Subtotal	423,818	412,258	-11,560
Payable in foreign currencies	32,588	29,992	-2,596
Total unmatured debt	456,406	442,250	-14,156
Total interest-bearing debt	597,932	584,440	-13,492
Total liabilities	638,680	615,690	-22,990
Assets			
Cash and accounts receivable	18,864	10,203	-8,661
Foreign exchange accounts	41,494	43,060	1,566
Loans, investments and advances (net of allowances)	13,796	14,280	484
Total assets	74,154	67,543	-6,611
Accumulated deficit (net public debt)	564,526	548,147	-16,379

With a budgetary surplus of $16.4 billion, a net requirement of $5.6 billion from non-budgetary transactions and a net requirement of $1.6 billion from foreign exchange transactions, there was a net financial source of $9.2 billion in the April 2000 to January 2001 period, compared to a net source of $2.6 billion in the same period in 1999-2000.

Net borrowings down $14.2 billion for April 2000 to January 2001

This financial source, coupled with a drawdown in cash balances of $4.9 billion, resulted in a decline of $14.2 billion in the Government's holding of market debt to the end of January 2001. The level of cash balances varies from month to month based on a number of factors including periodic large debt maturities, which can be quite volatile on a monthly basis. At the end of January 2001 cash balances were $8.0 billion.

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The Fiscal Monitor

A Publication of the Department of Finance

Highlights

February 2001: budgetary surplus of $4.0 billion

There was a budgetary surplus of $4.0 billion in February 2001, compared to a surplus of $3.1 billion in February 2000. A large surplus was expected in February, given the monthly pattern of revenues. More specifically, the February results include the final corporate income tax settlement payments from those corporations whose taxation year ends on December 31. Corporate income tax revenues in February 2001 amounted to a monthly record of $6.1 billion, up 13.4 per cent from February 2000.

April 2000 to February 2001: budgetary surplus of $20.4 billion

The budgetary surplus was estimated at $20.4 billion for the April 2000 to February 2001 period, up $5.5 billion from the surplus reported in the same period of 1999-2000.

Developments over the balance of the fiscal year will reduce the cumulative surplus to date. These include the impact of the tax reductions announced in the October 2000 *Economic Statement and Budget Update*, as well as proposed funding for a number of initiatives, which will be booked in 2000-01. The latter includes assistance for farmers; funding for the Canada Foundation for Innovation, Genome Canada and health information and communications technology; and the costs associated with proposed enhancements to employment insurance (EI) benefits, which are retroactive to October 2000. In total, these policy developments are estimated at about $5 billion. In addition, adjustments will be made in the end-of-year accounting period to include the costs of goods and services received in late 2000-01, but for which payments are not made until the April/May period, and personal income tax refunds processed in March 2001 relating to the 2000 taxation year.

In the October *Economic Statement and Budget Update*, a surplus for the year as a whole of $11.9 billion was estimated. However, most of the major revenue components have continued to register stronger-than-expected gains, despite the slowing in economic growth. As a result, the surplus for 2000-01 will be higher than expected. Final audited results for 2000-01 will be released in the fall.

February 2001: budgetary results

The year-over-year improvement in the budgetary balance of $0.9 billion was attributable to higher budgetary revenues, primarily higher corporate income tax revenues. On a year-over-year basis, budgetary revenues were up 6.4 per cent, or $1.0 billion. Among the major revenue components:

- Personal income tax revenues were up slightly, as the impact of the tax relief measures announced in the October *Economic Statement and Budget Update* dampened the overall growth in monthly deductions from employment income.
- Corporate income tax revenues were up $0.7 billion, or 13.4 per cent, reflecting higher corporate profits in 2000.
- EI premium revenues declined 11.5 per cent, primarily due to transfers relating to underpayments during 1999, which boosted revenues in February 2000.
- Excise taxes and duties were up 4.5 per cent, primarily reflecting strong growth in customs import duties.
- Non-tax revenues were up strongly, reflecting the timing of receipts.

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Table 1
Summary statement of transactions

	February		April to February	
	2000	2001	1999-00	2000-01
	($ millions)			
Budgetary transactions				
Revenues	16,283	17,323	149,816	161,886
Program spending	-9,724	-9,899	-97,089	-103,674
Operating surplus	6,559	7,424	52,727	58,212
Public debt charges	-3,481	-3,440	-37,856	-37,848
Budgetary balance (deficit/surplus)	3,078	3,984	14,871	20,364
Non-budgetary transactions	430	-1,248	-2,325	-6,816
Financial requirements/source (excluding foreign exchange transactions)	3,508	2,736	12,546	13,548
Foreign exchange transactions	-1,176	-184	-7,584	-1,750
Net financial balance	2,332	2,552	4,962	11,798
Net change in borrowings	-362	2,894	-3,049	-11,264
Net change in cash balances	1,970	5,446	1,913	534
Cash balance at end of period			11,140	13,485

Note: Positive numbers indicate a net source of funds. Negative numbers indicate a net requirement for funds.

On a year-over-year basis, program spending increased by $0.2 billion, or 1.8 per cent, as higher transfers to persons and other levels of government were largely offset by lower direct program spending. Among the major components:

- Major transfers to persons were up $0.2 billion, as both elderly benefit payments and EI benefit payments were higher.
- Major transfers to other levels of government were up 15.5 per cent, reflecting higher cash transfers under the Canada Health and Social Transfer (CHST) and equalization programs.
- Direct program spending declined 5.6 per cent, primarily reflecting the timing of payments.

Public debt charges, on a year-over year basis, were slightly lower, reflecting a decline in the stock of interest-bearing debt.

April 2000 to February 2001: budgetary results

Over the first 11 months of fiscal year 2000-01, the budgetary surplus was estimated at $20.4 billion, up $5.5 billion from the surplus of $14.9 billion reported in the same period of 1999-2000.

Budgetary revenues were up $12.1 billion, or 8.1 per cent, on a year-over-year basis. Among the major revenue components:

- Personal income tax collections were up $4.3 billion, or 5.9 per cent, primarily reflecting higher receipts from monthly deductions from employment income, due to increases in the number of people employed. In addition, higher taxes paid on filing and lower refunds, pertaining to the 1999 taxation year, also contributed to the year-over-year increase. Dampening the impact of these factors was the

Table 2
Budgetary revenues

	February			April to February		
	2000	2001	Change	1999-00	2000-01	Change
	($ millions)		(%)	($ millions)		(%)
Income taxes						
Personal income tax	5,839	5,906	1.1	72,502	76,802	5.9
Corporate income tax	5,394	6,117	13.4	21,142	25,270	19.5
Other income tax revenue	260	521	100.4	3,022	3,524	16.6
Total income tax	11,493	12,544	9.1	96,666	105,596	9.2
Employment insurance premium revenues	2,110	1,868	-11.5	16,768	16,893	0.7
Excise taxes and duties						
Goods and services tax	1,707	1,739	1.9	21,447	23,194	8.1
Customs import duties	164	224	36.6	2,034	2,517	23.7
Sales and excise taxes	577	595	3.1	7,467	7,550	1.1
Total excise taxes and duties	2,448	2,558	4.5	30,948	33,261	7.5
Total tax revenues	16,051	16,970	5.7	144,382	155,750	7.9
Non-tax revenues	233	353	51.5	5,433	6,136	12.9
Total budgetary revenues	16,284	17,323	6.4	149,815	161,886	8.1

effect of the tax relief measures announced in the February 2000 budget and October 2000 *Economic Statement and Budget Update,* and higher transfers to the Canada Pension Plan and EI accounts, reflecting underpayments with respect to the 1999 taxation year. Increases in the Canada Child Tax Benefit, up 18.5 per cent (reflecting increases to average benefits, which came into effect July 1, 2000, and the indexation of benefits), also served to restrain the overall growth in personal income tax revenues. Over the balance of the fiscal year, growth in personal income tax collections will be further restrained as the full impact of tax reductions announced in the February 2000 budget and October 2000 *Economic Statement and Budget Update* is realized. In addition, recoveries from the Taxation Collection Accounts are not expected to be as large as in 1999-2000.

- Corporate income tax revenues were up $4.1 billion, or 19.5 per cent, in line with the estimated increase of 23.4 per cent in corporate profits for 2000.
- EI premium revenues were up $0.1 billion, or 0.7 per cent, as the decline in premium rates for 2000 and 2001 was more than offset by the impact of prior-year adjustments and the growth in the number of people employed and therefore paying premiums. The employee rate for 2001 is $2.25 per $100 of insurable earnings, compared to $2.40 in 2000 and $2.55 in 1999.
- Excise taxes and duties increased by $2.3 billion, or 7.5 per cent. Goods and services tax revenues were up $1.7 billion, or 8.1 per cent, in line with the growth in consumer demand. Customs import duties were up strongly, while sales and excise taxes were up marginally.
- Non-tax revenues were up $0.7 billion, or 12.9 per cent, primarily reflecting higher Bank of Canada profits and interest on bank balances.

Program spending increased by $6.6 billion, or 6.8 per cent, in the April 2000 to February 2001 period, compared to the same period in 1999-2000. Among the major components, major transfers to other levels of government were up $3.1 billion, major transfers to persons were up $1.8 billion, while direct program spending was up $1.6 billion.

Table 3

Budgetary expenditures

	February			April to February		
	2000	2001	Change	1999-00	2000-01	Change
	($ millions)		(%)	($ millions)		(%)
Transfer payments to:						
Persons						
Elderly benefits	1,969	2,055	4.4	21,421	22,188	3.6
Employment insurance benefits	1,121	1,195	6.6	10,325	9,970	-3.4
Heating expense relief					1,434	
Total	3,090	3,250	5.2	31,746	33,592	5.8
Other levels of government						
Canada Health and Social Transfer	1,042	1,125	8.0	11,458	12,375	8.0
Fiscal transfers	975	1,194	22.5	9,995	11,396	14.0
Medical Equipment Fund					1,000	
Alternative Payments for Standing Programs	-188	-206	9.6	-2,064	-2,260	9.5
Total	1,829	2,113	15.5	19,389	22,511	16.1
Direct program spending						
Subsidies and other transfers						
Agriculture	196	159	-18.9	1,416	599	-57.7
Foreign Affairs	362	249	-31.2	1,574	1,422	-9.7
Health	71	85	19.7	932	1,010	8.4
Human Resources Development	103	141	36.9	1,350	1,322	-2.1
Indian and Northern Development	218	268	22.9	3,488	3,742	7.3
Industry and Regional Development	172	213	23.8	1,308	1,313	0.4
Veterans Affairs	119	126	5.9	1,276	1,334	4.5
Other	277	204	-26.4	1,960	1,983	1.2
Total	1,518	1,445	-4.8	13,304	12,725	-4.4
Payments to Crown corporations						
Canadian Broadcasting Corporation	75	15	-80.0	805	859	6.7
Canada Mortgage and Housing Corporation	150	150	0.0	1,645	1,670	1.5
Other	56	71	26.8	931	1,292	38.8
Total	281	236	-16.0	3,381	3,821	13.0
Operating and capital expenditures						
Defence	1,006	902	-10.3	9,648	9,553	-1.0
All other departmental expenditures	2,000	1,953	-2.3	19,621	21,472	9.4
Total	3,006	2,855	-5.0	29,269	31,025	6.0
Total direct program spending	4,805	4,536	-5.6	45,954	47,571	3.5
Total program expenditures	9,724	9,899	1.8	97,089	103,674	6.8
Public debt charges	3,481	3,440	-1.2	37,856	37,848	0.0
Total budgetary expenditures	13,205	13,339	1.0	134,945	141,522	4.9
Memorandum item:						
Total transfers	6,437	6,808	5.8	64,439	68,828	6.8

- The increase in major transfers to persons was attributable to the heating expense relief payment ($1.4 billion) and higher elderly benefits, up $0.8 billion, reflecting an increase in the number of individuals eligible for benefits and higher average benefits, which are indexed to inflation. EI benefit payments were down $0.4 billion, reflecting fewer beneficiaries due to the decline in the number of unemployed, dampened by the impact of higher average benefit rates and higher transfers to provinces under the Labour Market Agreements.
- Major transfers to other levels of government were up 16.1 per cent, reflecting higher cash transfers under the CHST and equalization programs, as well as the $1-billion payment in trust to the provinces and territories for new medical equipment, to support the agreements reached by the first ministers on health renewal and early childhood development. The increase in CHST cash transfers reflected the 1999 budget measure to increase base funding from $12.5 billion in 1999-2000 to $13.5 billion in 2000-01. The increase in equalization entitlements was attributable to the continued stronger economic growth in Ontario than in the equalization-receiving provinces.
- Direct program spending, consisting of total program spending less the major transfers to persons and other levels of government, increased by 3.5 per cent. This component includes subsidy and other transfer payments, payments to Crown corporations, and the operating and capital costs of government, including defence. Developments in this component are affected by the timing of payments, the impact of new initiatives announced in the 2000 budget, and the lifting of the wage freeze.

Public debt charges were virtually unchanged, as the impact of the decline in the stock of interest-bearing debt was offset by an increase in the average effective interest rate on that debt.

Financial source of $13.5 billion (excluding foreign exchange transactions) for April 2000 to February 2001

The budgetary balance is presented on a modified accrual basis of accounting, recording government liabilities when they are incurred, regardless of when the cash payment is made. In addition, the budgetary balance includes only those activities over which the Government has legislative control.

In contrast, financial requirements/source measures the difference between cash coming in to the Government and cash going out. Financial requirements/source differs from the budgetary balance as the former includes transactions in loans, investments and advances, federal employees' pension accounts, other specified purpose accounts, and changes in other financial assets and liabilities. These activities are included as part of non-budgetary transactions. The conversion from accrual to cash is also reflected in non-budgetary transactions.

Non-budgetary transactions resulted in a net requirement of $6.8 billion in the first 11 months of 2000-01, compared to a requirement of $2.3 billion in the same period in 1999-2000. This was attributable, in part, to payments related to the pay equity settlement, changes to the financing of the Canada Student Loans Program, and the investing of current contributions to the federal employees' pension plans in the private market.

As a result, with a budgetary surplus of $20.4 billion and a net requirement of $6.8 billion from non-budgetary transactions, there was a financial source (excluding foreign exchange transactions) of $13.5 billion in the April 2000 to February 2001 period, compared to a financial source of $12.5 billion in the same period in 1999-2000.

Table 4

The budgetary balance and financial requirements/source

	February		April to February	
	2000	2001	1999-00	2000-01
		($ millions)		
Budgetary balance (deficit/surplus)	3,078	3,984	14,871	20,364
Loans, investments and advances				
Crown corporations	135	4	528	405
Other	148	-4	85	-890
Total	283	0	613	-485
Specified purpose accounts				
Canada Pension Plan Account	413	490	-58	-386
Superannuation accounts	324	-202	4,530	1,369
Other	80	139	-50	109
Total	817	427	4,422	1,092
Other transactions	-670	-1,675	-7,360	-7,423
Total non-budgetary transactions	430	-1,248	-2,325	-6,816
Financial requirements/source (excluding foreign exchange transactions)	3,508	2,736	12,546	13,548
Foreign exchange transactions	-1,176	-184	-7,584	-1,750
Net financial balance	2,332	2,552	4,962	11,798

Table 5

Net financial balance and net borrowings

	February		April to February	
	2000	2001	1999-00	2000-01
		($ millions)		
Net financial balance	2,332	2,552	4,962	11,798
Net increase (+)/decrease (-) in borrowings				
Payable in Canadian dollars				
Marketable bonds	-600	575	6,357	10,394
Canada Savings Bonds	-193	313	-877	-754
Treasury bills	100	2,100	-5,350	-18,150
Other	0	0	-285	-62
Total	-693	2,988	-155	-8,572
Payable in foreign currencies				
Marketable bonds	-39	0	2,488	-2,782
Notes and loans		0		0
Canada bills	370	-94	-5,118	126
Canada notes	0		-264	-36
Total	331	-94	-2,894	-2,692
Net change in borrowings	-362	2,894	-3,049	-11,264
Change in cash balance	1,970	5,446	1,913	534

Table 6

Condensed statement of assets and liabilities

	March 31, 2000	February 28, 2001	Change
		($ millions)	
Liabilities			
Accounts payable, accruals and allowances	40,748	35,931	-4,817
Interest-bearing debt			
Pension and other accounts			
Public sector pensions	128,346	129,715	1,369
Canada Pension Plan (net of securities)	6,217	5,831	-386
Other pension and other accounts	6,963	7,072	109
Total pension and other accounts	141,526	142,618	1,092
Unmatured debt			
Payable in Canadian dollars			
Marketable bonds	293,927	304,321	10,394
Treasury bills	99,850	81,700	-18,150
Canada Savings Bonds	26,489	25,735	-754
Non-marketable bonds and bills	3,552	3,490	-62
Subtotal	423,818	415,246	-8,572
Payable in foreign currencies	32,588	29,896	-2,692
Total unmatured debt	456,406	445,142	-11,264
Total interest-bearing debt	597,932	587,760	-10,172
Total liabilities	638,680	623,691	-14,989
Assets			
Cash and accounts receivable	18,864	22,004	3,140
Foreign exchange accounts	41,494	43,244	1,750
Loans, investments and advances (net of allowances)	13,796	14,281	485
Total assets	74,154	79,529	5,375
Accumulated deficit (net public debt)	564,526	544,162	-20,364

Net financial source of $11.8 billion for April 2000 to February 2001

Foreign exchange transactions represent all transactions in international reserves held in the Exchange Fund Account. The purpose of the Exchange Fund Account is to promote order and stability in the foreign exchange market. The buying of Canadian dollars represents a source of funds from exchange fund transactions, while the selling of Canadian dollars represents a requirement. Changes in foreign currency liabilities, which are undertaken to change the level of Canada's foreign exchange reserves, also impact on foreign exchange transactions. Taking all of these factors into account, there was a net requirement of $1.8 billion in the first 11 months of 2000-01, compared to a net requirement of $7.6 billion in the same period in 1999-2000.

With a budgetary surplus of $20.4 billion, a net requirement of $6.8 billion from non-budgetary transactions and a net requirement of $1.8 billion from foreign exchange transactions, there was a net financial source of $11.8 billion in the April 2000 to February 2001 period, compared to a net source of $5.0 billion in the same period in 1999-2000.

Net borrowings down $11.3 billion for April 2000 to February 2001

This financial source has allowed the Government to reduce its holding of market debt by $11.3 billion to the end of February 2001. In addition, cash balances increased by $0.5 billion to stand at $13.5 billion. The level of cash balances varies from month to month based on a number of factors including periodic large debt maturities, which can be quite volatile on a monthly basis.

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April 2001

The Fiscal Monitor

A Publication of the Department of Finance

Highlights

March 2001: budgetary deficit of $0.5 billion

There was a budgetary deficit of $0.5 billion in March 2001, compared to a surplus of $0.3 billion in March 2000. This deterioration was attributable to the impact of policy initiatives, including the incremental assistance of $0.5 billion to farmers and the $0.5-billion payment for health information and communication technologies as agreed to by first ministers in September 2000.

April 2000 to March 2001: budgetary surplus of $19.8 billion

The budgetary surplus was estimated at $19.8 billion for the April 2000 to March 2001 period, up $4.7 billion from the surplus reported in the same period of 1999-2000. These are not the final results for the 2000-01 fiscal year. Still to come are the regular end-of-year accounting adjustments.

Consistent with government accounting principles, these adjustments incorporate increases in program spending to include the costs of liabilities incurred during the fiscal year for which no payments were made in 2000-01. For example, the final audited outcome for 1999-2000 was $12.3 billion, while the surplus to the end of March 2000 was $15.1 billion, a difference of $2.8 billion. However, included in the final results for 1999-2000 was a transfer of $1.9 billion from the Tax Collection Accounts to budgetary revenues, relating to recoveries for overpayments to these accounts in previous years. No such large recoveries are expected this year. This implies that the normal end-of-year adjustments for 1999-2000 amounted to about $4½ billion.

In the October 2000 *Economic Statement and Budget Update*, a surplus for the year as a whole of $11.9 billion was estimated, of which a minimum of $10 billion was committed to reducing debt. Based on the financial results to the end of March 2001 and taking into account the normal end-of-year accounting adjustments, a budgetary surplus of at least $15 billion is now expected. All of this will be applied to reducing the net public debt. Final audited financial results will be published in the *Annual Financial Report of the Government of Canada*, scheduled for release in mid-September 2001.

March 2001: budgetary results

On a year-over-year basis, budgetary revenues increased $0.5 billion, as lower personal income tax revenues were more than offset by higher revenues in all the other major components.

- Personal income tax revenues declined by 12.0 per cent, reflecting the impact of the tax relief measures announced in the October *Economic Statement and Budget Update*, as well as the timing of receipts between February and March.
- Corporate income tax revenues were up 11.4 per cent, reflecting higher corporate profits in 2000.
- Employment insurance (EI) premium revenues were up 5.9 per cent, as increases in the number of people employed more than offset the reductions in premium rates.
- Excise taxes and duties were up 6.6 per cent, primarily reflecting strong growth in goods and services tax (GST) revenues and in customs import duties.

Table 1
Summary statement of transactions

	March		April to March	
	2000	2001	1999-00	2000-01
	($ millions)			
Budgetary transactions				
Revenues	14,864	15,359	164,682	177,246
Program spending	-11,196	-12,327	-108,285	-115,999
Operating surplus	3,668	3,032	56,397	61,247
Public debt charges	-3,417	-3,564	-41,273	-41,412
Budgetary balance (deficit/surplus)	251	-532	15,124	19,835
Non-budgetary transactions	3,611	6,411	1,288	-405
Financial requirements/source (excluding foreign exchange transactions)	3,862	5,879	16,412	19,430
Foreign exchange transactions	-1,868	-6,767	-9,451	-8,516
Net financial balance	1,994	-888	6,961	10,914
Net change in borrowings	-130	582	-3,178	-10,682
Net change in cash balances	1,864	-306	3,783	232
Cash balance at end of period			13,004	13,179

Note: Positive numbers indicate a net source of funds. Negative numbers indicate a net requirement for funds.

- Non-tax revenues were up strongly, reflecting higher net profits relating to activities in the Exchange Fund Account.

On a year-over-year basis, program spending increased by 10.1 per cent. Among the major components:

- Major transfers to persons were up 2.4 per cent, as both elderly benefit payments and EI benefit payments were higher.
- Major transfers to other levels of government were up 18.1 per cent, reflecting higher cash transfers under the Canada Health and Social Transfer (CHST) and equalization programs.
- Direct program spending increased 11.7 per cent, primarily reflecting the inclusion of the policy initiatives mentioned above.

Public debt charges, on a year-over year basis, were up 4.3 per cent, as an increase in the average effective interest rate offset the impact of the decline in the stock of interest-bearing debt.

April 2000 to March 2001: budgetary results

In the April 2000 to March 2001 period, the budgetary surplus was estimated at $19.8 billion, up $4.7 billion from the surplus of $15.1 billion reported in the same period of 1999-2000.

Budgetary revenues were up $12.6 billion, or 7.6 per cent, on a year-over-year basis. Among the major revenue components:

- Personal income tax collections were up $3.7 billion, or 4.7 per cent, primarily reflecting higher receipts from monthly deductions from employment income, due to increases in the number of people employed, as well as higher remittances from quarterly filers. Dampening the impact of these factors was the effect of the tax relief measures announced in the February 2000 budget and October 2000 *Economic Statement and Budget Update* and higher transfers to the Canada Pension Plan and EI accounts, reflecting underpayments with respect to the 1999 taxation year.

Table 2
Budgetary revenues

	March			April to March		
	2000	2001	Change	1999-00	2000-01	Change
	($ millions)		(%)	($ millions)		(%)
Income taxes						
Personal income tax	5,165	4,546	-12.0	77,668	81,350	4.7
Corporate income tax	2,109	2,349	11.4	23,251	27,619	18.8
Other income tax revenue	450	692	53.8	3,472	4,216	21.4
Total income tax	7,724	7,587	-1.8	104,391	113,185	8.4
Employment insurance premium revenues	1,736	1,839	5.9	18,504	18,732	1.2
Excise taxes and duties						
Goods and services tax	1,527	1,619	6.0	22,975	24,812	8.0
Customs import duties	177	274	54.8	2,212	2,791	26.2
Sales and excise taxes	704	674	-4.3	8,168	8,224	0.7
Total excise taxes and duties	2,408	2,567	6.6	33,355	35,827	7.4
Total tax revenues	11,868	11,993	1.1	156,250	167,744	7.4
Non-tax revenues	2,996	3,366	12.3	8,432	9,502	12.7
Total budgetary revenues	14,864	15,359	3.3	164,682	177,246	7.6

Increases in the Canada Child Tax Benefit, up 13.4 per cent (reflecting increases to average benefits, which came into effect July 1, 2000, and the indexation of benefits), also served to restrain the overall growth in personal income tax revenues.

- Corporate income tax revenues were up $4.4 billion, or 18.8 per cent, in line with the estimated increase of 23.4 per cent in corporate profits for 2000.
- EI premium revenues were up $0.2 billion, or 1.2 per cent, as the decline in premium rates for 2000 and 2001 was more than offset by the impact of prior-year adjustments and the growth in the number of people employed and therefore paying premiums. The employee rate for 2001 is $2.25 per $100 of insurable earnings, compared to $2.40 in 2000 and $2.55 in 1999.
- Excise taxes and duties increased by $2.5 billion, or 7.4 per cent. GST revenues were up $1.8 billion, or 8.0 per cent, in line with the growth in consumer demand. Customs import duties were up strongly, while sales and excise taxes were up marginally.
- Non-tax revenues were up $1.1 billion, or 12.7 per cent, primarily reflecting higher Bank of Canada and Exchange Fund Account profits and interest on bank balances.

Program spending increased by $7.7 billion, or 7.1 per cent, in the April 2000 to March 2001 period, compared to the same period in 1999-2000. Among the major components, major transfers to other levels of government were up $3.4 billion, direct program spending was up $2.4 billion, while major transfers to persons were up $1.9 billion.

- The increase in major transfers to persons was attributable to the heating expense relief payment ($1.4 billion) and higher elderly benefits, up $0.8 billion, reflecting an increase in the number of individuals eligible for benefits and higher average benefits, which are indexed to inflation. EI benefit payments were down $0.3 billion, reflecting fewer beneficiaries due to the decline in the number of unemployed, dampened by the impact of higher average benefit rates and higher transfers to provinces under the Labour Market Agreements.

Table 3

Budgetary expenditures

	March			April to March		
	2000	2001	Change	1999-00	2000-01	Change
	($ millions)		(%)	($ millions)		(%)
Transfer payments to:						
Persons						
Elderly benefits	2,000	2,057	2.8	23,421	24,245	3.5
Employment insurance benefits	1,015	1,030	1.5	11,340	10,999	-3.0
Heating expense relief					1,434	
Total	3,015	3,087	2.4	34,761	36,678	5.5
Other levels of government						
Canada Health and Social Transfer	1,041	1,125	8.1	12,500	13,500	8.0
Fiscal transfers	692	907	31.1	10,687	12,303	15.1
Medical Equipment Fund					1,000	
Alternative Payments for Standing Programs	-187	-206	10.2	-2,251	-2,466	9.6
Total	1,546	1,826	18.1	20,936	24,337	16.2
Direct program spending						
Subsidies and other transfers						
Agriculture	134	633	372.4	1,550	1,232	-20.5
Foreign Affairs	327	291	-11.0	1,901	1,713	-9.9
Health	118	97	-17.8	1,050	1,107	5.4
Human Resources Development	229	363	58.5	1,579	1,685	6.7
Indian and Northern Development	217	144	-33.6	3,705	3,886	4.9
Industry and Regional Development	1,324	407	-69.3	2,632	1,720	-34.7
Veterans Affairs	121	125	3.3	1,397	1,458	4.4
Other	442	652	47.5	2,402	2,635	9.7
Total	2,912	2,712	-6.9	16,216	15,436	-4.8
Payments to Crown corporations						
Canadian Broadcasting Corporation	66	43	-34.8	871	902	3.6
Canada Mortgage and Housing Corporation	150	320	113.3	1,795	1,990	10.9
Other	55	91	65.5	985	1,383	40.4
Total	271	454	67.5	3,651	4,275	17.1
Operating and capital expenditures						
Defence	1,127	1,436	27.4	10,775	10,992	2.0
All other departmental expenditures	2,325	2,812	20.9	21,946	24,281	10.6
Total	3,452	4,248	23.1	32,721	35,273	7.8
Total direct program spending	6,635	7,414	11.7	52,588	54,984	4.6
Total program expenditures	11,196	12,327	10.1	108,285	115,999	7.1
Public debt charges	3,417	3,564	4.3	41,273	41,412	0.3
Total budgetary expenditures	14,613	15,891	8.7	149,558	157,411	5.3
Memorandum item:						
Total transfers	7,473	7,625	2.0	71,913	76,451	6.3

- Major transfers to other levels of government were up 16.2 per cent, reflecting higher cash transfers under the CHST and equalization programs, as well as the $1-billion payment in trust to the provinces and territories for new medical equipment, to support the agreements reached last September by the first ministers on health renewal and early childhood development. The increase in CHST cash transfers reflected the 1999 budget measure to increase base funding from $12.5 billion in 1999-2000 to $13.5 billion in 2000-01. The increase in equalization entitlements was attributable to the continued stronger economic growth in Ontario than in the equalization-receiving provinces.
- Direct program spending, consisting of total program spending less the major transfers to persons and other levels of government, increased by 4.6 per cent. This component includes subsidy and other transfer payments, payments to Crown corporations, and the operating and capital costs of government, including defence. Developments in this component are affected by the impact of new initiatives announced during 2000-01 and the lifting of the wage freeze.

Public debt charges were virtually unchanged, as the impact of the decline in the stock of interest-bearing debt was offset by an increase in the average effective interest rate on that debt.

Financial source of $19.4 billion (excluding foreign exchange transactions) for April 2000 to March 2001

The budgetary balance is presented on a modified accrual basis of accounting, recording government liabilities when they are incurred, regardless of when the cash payment is made. In addition, the budgetary balance includes only those activities over which the Government has legislative control.

In contrast, financial requirements/source measures the difference between cash coming in to the Government and cash going out. Financial requirements/source differs from the budgetary balance as the former includes transactions in loans, investments and advances, federal employees' pension accounts, other specified purpose accounts, and changes in other financial assets and liabilities. These activities are included as part of non-budgetary transactions. The conversion from accrual to cash is also reflected in non-budgetary transactions.

Non-budgetary transactions resulted in a net requirement of $0.4 billion in the April 2000 to March 2001 period, compared to a net source of $1.3 billion in the same period in 1999-2000. This was attributable, in part, to payments related to the pay equity settlement, changes to the financing of the Canada Student Loans Program, and the investing of current contributions to the federal employees' pension plans in the private market.

As a result, with a budgetary surplus of $19.8 billion and a net requirement of $0.4 billion from non-budgetary transactions, there was a financial source (excluding foreign exchange transactions) of $19.4 billion in the April 2000 to March 2001 period, compared to a financial source of $16.4 billion in the same period in 1999-2000.

Net financial source of $10.9 billion for April 2000 to March 2001

Foreign exchange transactions represent all transactions in international reserves held in the Exchange Fund Account. The purpose of the Exchange Fund Account is to promote order and stability in the foreign exchange market. The buying of Canadian dollars represents a source of funds from exchange fund transactions, while the selling of Canadian dollars represents a requirement. Changes in foreign currency liabilities, which are undertaken to change the level of Canada's foreign exchange reserves, also impact on foreign exchange transactions. Taking all of these factors into account, there was a net requirement of $8.5 billion in the April 2000 to March 2001 period, compared to a net requirement of $9.5 billion in the same period in 1999-2000.

Table 4

The budgetary balance and financial requirements/source

	March		April to March	
	2000	2001	1999-00	2000-01
		($ millions)		
Budgetary balance (deficit/surplus)	251	-532	15,124	19,835
Loans, investments and advances				
Crown corporations	12	99	540	504
Other	63	-87	148	-976
Total	75	12	688	-472
Specified purpose accounts				
Canada Pension Plan Account	893	578	835	192
Superannuation accounts	550	-24	5,078	1,346
Other	74	8	26	117
Total	1,517	562	5,939	1,655
Other transactions	2,019	5,837	-5,339	-1,588
Total non-budgetary transactions	3,611	6,411	1,288	-405
Financial requirements/source (excluding foreign exchange transactions)	3,862	5,879	16,412	19,430
Foreign exchange transactions	-1,868	-6,767	-9,451	-8,516
Net financial balance	1,994	-888	6,961	10,914

Table 5

Net financial balance and net borrowings

	March		April to March	
	2000	2001	1999-00	2000-01
		($ millions)		
Net financial balance	1,994	-888	6,961	10,914
Net increase (+)/decrease (-) in borrowings				
Payable in Canadian dollars				
Marketable bonds	-8,499	-9,694	-2,142	700
Canada Savings Bonds	-523	18	-1,400	-736
Treasury bills	8,250	7,000	2,900	-11,150
Other	-354	-17	-638	-79
Total	-1,126	-2,693	-1,280	-11,265
Payable in foreign currencies				
Marketable bonds	0	3,003	2,488	-1,164
Notes and loans	0	-1,385		0
Canada bills	996	1,094	-4,122	1,220
Canada notes	0	563	-264	527
Total	996	3,275	-1,898	583
Net change in borrowings	-130	582	-3,178	-10,682
Change in cash balance	1,864	-306	3,783	232

Table 6

Condensed statement of assets and liabilities

	March 31, 2000	March 31, 2001	Change
		($ millions)	
Liabilities			
Accounts payable, accruals and allowances	40,748	38,676	-2,072
Interest-bearing debt			
Pension and other accounts			
Public sector pensions	128,346	129,692	1,346
Canada Pension Plan (net of securities)	6,217	6,409	192
Other pension and other accounts	6,963	7,080	117
Total pension and other accounts	141,526	143,181	1,655
Unmatured debt			
Payable in Canadian dollars			
Marketable bonds	293,927	294,627	700
Treasury bills	99,850	88,700	-11,150
Canada Savings Bonds	26,489	25,753	-736
Non-marketable bonds and bills	3,552	3,473	-79
Subtotal	423,818	412,553	-11,265
Payable in foreign currencies	32,588	33,171	583
Total unmatured debt	456,406	445,724	-10,682
Total interest-bearing debt	597,932	588,905	-9,027
Total liabilities	638,680	627,581	-11,099
Assets			
Cash and accounts receivable	18,864	18,612	-252
Foreign exchange accounts	41,494	50,010	8,516
Loans, investments and advances (net of allowances)	13,796	14,268	472
Total assets	74,154	82,890	8,736
Accumulated deficit (net public debt)	564,526	544,691	-19,835

With a budgetary surplus of $19.8 billion, a net requirement of $0.4 billion from non-budgetary transactions and a net requirement of $8.5 billion from foreign exchange transactions, there was a net financial source of $10.9 billion in the April 2000 to March 2001 period, compared to a net source of $7.0 billion in the same period in 1999-2000.

Net borrowings down $10.7 billion for April 2000 to March 2001

This financial source has allowed the Government to reduce its holding of market debt by $10.7 billion to the end of March 2001. In addition, cash balances increased by $0.2 billion to stand at $13.2 billion. The level of cash balances varies from month to month based on a number of factors including periodic large debt maturities, which can be quite volatile on a monthly basis.

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A Publication of the Department of Finance

Highlights of financial results for April 2001

Budgetary surplus of $4.6 billion in April 2001

There was a budgetary surplus of $4.6 billion in April 2001, up $1.6 billion from the surplus of $3.0 billion in April 2000. This year-over-year improvement was primarily attributable to timing factors associated with the final payment of personal income taxes with respect to the 2000 taxation year.

On a year-over year basis, budgetary revenues were up $2.3 billion, or 15.5 per cent, with most of the increase concentrated in higher personal income tax collections.

- Personal income tax collections were up $1.6 billion, or 21.9 per cent. Most of this increase was attributable to higher final tax settlement payments with respect to taxation year 2000. Last year, the final date for filing personal income taxes was extended from April 30th (which fell on a Sunday) to May 1st. As a result, final settlement payments with respect to the 1999 taxation year were largely recorded in May 2000. This year, the final filing date was April 30th. As a result, the year-over-year results were affected by the difference in filing dates. Monthly deductions from employment income were virtually unchanged, compared to the same period last year.
- Corporate income tax collections increased $0.2 billion, or 9.3 per cent. This increase primarily reflects the tax installment procedures, as operating profits of Canadian corporations declined in the first quarter of 2001. Corporations are required to remit monthly installments based on either their previous year's actual tax liability or their current year's projected tax liability, with final settlement payments made within 60 days of the end of their taxation year. Throughout most of 2000-01, monthly tax installments were based on the tax liability for 1999. However, corporate profits grew strongly in 2000, with the result that the monthly installment payments understated the final tax liability for 2000-01. With monthly installments now based on the tax liability for 2000, the year-over-year change in the monthly results could be misleading.
- Employment insurance premium revenues were virtually unchanged, as the decline in premium rates (the employee rate for 2001 is $2.25 per $100 of insurable earnings compared to $2.40 in 2000) offset the impact of the growth in the number of people employed and therefore paying premiums.
- Excise taxes and duties were up $0.4 billion, or 14.5 per cent, primarily reflecting strong growth in goods and services tax revenues. However, part of this increase was due to the timing of refunds and rebates, which were down 10 per cent on a year-over-year basis.
- Non-tax revenues were up nearly 9.5 per cent.

On a year-over-year basis, program spending increased by 8.0 per cent, or $0.7 billion, with most of the increase attributable to higher transfers to other levels of government.

- Major transfers to persons were up 4.6 per cent, as both elderly benefit and employment insurance payments were higher.
- Major transfers to other levels of government were up 28.3 per cent, reflecting higher cash transfers under the Canada Health and Social Transfer (CHST) and higher Equalization entitlements. The increase in CHST reflected the September 2000 agreement reached by

Table 1
Summary statement of transactions

	April	
	2000	2001
	($ millions)	
Budgetary transactions		
Revenues	14,937	17,249
Program spending	-8,616	-9,308
Operating surplus	6,321	7,941
Public debt charges	-3,368	-3,389
Budgetary balance (deficit/surplus)	2,953	4,552
Non-budgetary transactions	-5,253	-4,993
Financial requirements/source (excluding foreign exchange transactions)	-2,300	-441
Foreign exchange transactions	955	158
Net financial balance	-1,345	-283
Net change in borrowings	-5,788	70
Net change in cash balances	-7,133	-213
Cash balance at end of period	5,818	12,965

Note: Positive numbers indicate a net source of funds. Negative numbers indicate a net requirement for funds.

First Ministers to increase base funding from $13.5 billion in 2000-01 to $17.3 billion in 2001-02. The increase in Equalization entitlements was attributable to the continued stronger growth in Ontario than in the equalization-receiving provinces.

- Direct program spending, consisting of total program spending less major transfers to persons and other levels of government, increased by 1.5 per cent. Subsidies and other transfers declined 2.2 per cent while payments to Crown corporations advanced by 20.5 per cent. Defence spending increased, while all other departmental expenditures declined. The monthly fluctuations in these components are due in large part to the timing of payments.

Public debt charges were up slightly as the impact of the decline in the stock of interest-bearing debt was offset by a slight increase in the average effective interest rate.

Financial requirement of $0.4 billion (excluding foreign exchange transactions) in April 2001

The budgetary balance is presented on a modified accrual basis of accounting, recording government liabilities when they are incurred, regardless of when the cash payment is made. In addition, the budgetary balance includes only those activities over which the Government has legislative control.

In contrast, financial requirements/surplus measures the difference between cash coming in to the Government and cash going out. Financial requirements/surplus differs from the budgetary balance as the former includes transactions in loans, investments and advances, federal employees' pension accounts, other specified purpose accounts, and changes in other financial assets and liabilities. These activities are included as part of non-budgetary transactions. The conversion from accrual to cash is also reflected in non-budgetary transactions.

Table 2
Budgetary revenues

	April		
	2000	2001	Change
	($ millions)		(%)
Income taxes			
Personal income tax	7,347	8,953	21.9
Corporate income tax	1,963	2,146	9.3
Other income tax revenue	342	364	6.4
Total income tax	9,652	11,463	18.8
Employment insurance premium revenues	1,784	1,809	1.4
Excise taxes and duties			
Goods and services tax	2,077	2,449	17.9
Customs import duties	160	169	5.6
Sales and excise taxes	612	645	5.4
Total excise taxes and duties	2,849	3,263	14.5
Total tax revenues	14,285	16,535	15.8
Non-tax revenues	652	714	9.5
Total budgetary revenues	14,937	17,249	15.5

Non-budgetary transactions resulted in a net requirement of $5.0 billion in April 2001, down from a net requirement of $5.3 billion in April 2000. The lower requirement primarily reflected the first installment of pay equity settlement payments in the April 2000 results, which amounted to $1.6 billion.

As a result, with a budgetary surplus of $4.6 billion and a net requirement of $5.0 billion, there was a financial requirement (excluding foreign exchange transactions) of $0.4 billion in April 2001, compared to a requirement of $2.3 billion in April 2000.

Net financial requirement of $0.3 billion in April 2001

Foreign exchange transactions represent all transactions in international reserves held in the Exchange Fund Account. The purpose of the Exchange Fund Account is to promote order and stability in the foreign exchange market. It fulfills this function by buying foreign exchange (selling Canadian dollars) when there is upward pressure on the value of the Canadian dollar and selling foreign exchange (buying Canadian dollars) when there is downward pressure. The buying of Canadian dollars represents a source of funds from exchange fund transactions, while the selling of Canadian dollars represents a requirement. Changes in foreign currency liabilities, which are undertaken to change the level of Canada's foreign exchange reserves, also impact on foreign exchange transactions. Taking all of these factors into account, there was a net source of $158 million in April 2001, compared to a net source of $1.0 billion in April 2000.

With a budgetary surplus of $4.6 billion, a net requirement of $5.0 billion from non-budgetary transactions and a net source of funds of $0.2 billion from foreign exchange transactions, there was a net financial requirement of $0.3 billion in April 2001, compared to a net requirement of $1.3 billion in April 2000.

Table 3
Budgetary expenditures

	April		
	2000	2001	Change
	($ millions)		(%)
Transfer payments to:			
Persons			
Elderly benefits	1,997	2,063	3.3
Employment insurance benefits	1,038	1,113	7.2
Total	3,035	3,176	4.6
Other levels of government			
Canada Health and Social Transfer	1,125	1,441	28.1
Fiscal transfers	832	1,005	20.8
Alternative Payments for Standing Programs	-206	-200	-2.9
Total	1,751	2,246	28.3
Direct program spending			
Subsidies and other transfers			
Agriculture	9	38	322.2
Foreign Affairs	55	122	121.8
Health	63	10	-84.1
Human Resources Development	8	26	225.0
Indian and Northern Development	842	690	-18.1
Industry and Regional Development	27	112	314.8
Veterans Affairs	116	118	1.7
Other	242	216	-10.7
Total	1,362	1,332	-2.2
Payments to Crown corporations			
Canadian Broadcasting Corporation	173	200	15.6
Canada Mortgage and Housing Corporation	150	158	5.3
Other	140	200	42.9
Total	463	558	20.5
Operating and capital expenditures			
Defence	490	605	23.5
All other departmental expenditures	1,515	1,391	-8.2
Total	2,005	1,996	-0.4
Total direct program spending	3,830	3,886	1.5
Total program expenditures	8,616	9,308	8.0
Public debt charges	3,368	3,389	0.6
Total budgetary expenditures	11,984	12,697	5.9
Memorandum item:			
Total transfers	6,148	6,754	9.9

Table 4

The budgetary balance and financial requirements/surplus

	April	
	2000	2001
	($ millions)	
Budgetary balance (deficit/surplus)	2,953	4,552
Loans, investments and advances		
Crown corporations	0	132
Other	105	-14
Total	105	118
Specified purpose accounts		
Canada Pension Plan Account	-394	-400
Superannuation accounts	317	46
Other	-44	21
Total	-121	-333
Other transactions	-5,237	-4,778
Total non-budgetary transactions	-5,253	-4,993
Financial requirements/source (excluding foreign exchange transactions)	-2,300	-441
Foreign exchange transactions	955	158
Net financial balance	-1,345	-283

Table 5

Net financial balance and net borrowings

	April	
	2000	2001
	($ millions)	
Net financial balance	-1,345	-283
Net increase (+)/decrease (-) in borrowings		
Payable in Canadian dollars		
Marketable bonds	1,900	1,371
Canada Savings Bonds	-5	-1
Treasury bills	-7,250	-700
Other	0	0
Total	-5,355	670
Payable in foreign dollars		
Marketable bonds	0	0
Notes and loans	0	0
Canada bills	-433	-490
Canada notes	0	-110
Total	-433	-600
Net change in borrowings	-5,788	70
Change in cash balance	-7,133	-213

Table 6

Condensed statement of assets and liabilities

	March 31, 2001	April 30, 2001	Change
		($ millions)	
Liabilities			
Accounts payable, accruals and allowances	43,511	39,611	-3,900
Interest-bearing debt			
Pension and other accounts			
Public sector pensions	129,692	129,738	46
Canada Pension Plan (net of securities)	6,409	6,009	-400
Other pension and other accounts	7,080	7,101	21
Total pension and other accounts	143,181	142,848	-333
Unmatured debt			
Payable in Canadian dollars			
Marketable bonds	294,627	295,998	1,371
Treasury bills	88,700	88,000	-700
Canada Savings Bonds	25,753	25,752	-1
Non-marketable bonds and bills	3,473	3,473	0
Subtotal	412,553	413,223	670
Payable in foreign dollars	33,171	32,571	-600
Total unmatured debt	445,724	445,794	70
Total interest-bearing debt	588,905	588,642	-263
Total liabilities	632,416	628,253	-4,163
Assets			
Cash and accounts receivable	18,612	18,725	113
Foreign exchange accounts	50,010	50,168	158
Loans, investments and advances (net of allowances)	14,268	14,386	118
Total assets	82,890	83,279	389
Accumulated deficit (net public debt)[1]	549,526	544,974	-4,552

[1] Assumes fiscal balance of $15 billion for 2000-01.

Net borrowings up slightly

This financial requirement was financed by a draw down in cash balances of $0.2 billion and an increase of $0.1 billion in net borrowings.

Cash balances at the end of April 2001 stood at $13.0 billion. The level of cash balances varies from month to month based on a number of factors including periodic large debt maturities, which can be quite volatile on a monthly basis.

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The Fiscal Monitor

A Publication of the Department of Finance

Highlights

May 2001: budgetary surplus of $2.9 billion

There was a budgetary surplus of $2.9 billion in May 2001, compared to a surplus of $3.5 billion in May 2000. This year-over-year decline of $0.6 billion in the surplus was attributable to slightly lower budgetary revenues, coupled with higher program spending and public debt charges.

April 2001 to May 2001: budgetary surplus of $7.4 billion

The budgetary surplus was estimated at $7.4 billion for the April 2001 to May 2001 period, compared to the surplus of $6.5 billion reported in the same period of 2000-01. The increase in the year-over-year surplus was largely attributable to higher personal income tax settlement payments with respect to taxation year 2000. These payments were related to extraordinary developments, primarily the strong increase in capital gains for the 2000 taxation year.

May 2001: budgetary results

Budgetary revenues declined $0.1 billion, or 0.5 per cent, in May 2001 on a year-over-year basis. All components except corporate and other income tax revenues were lower.

- Personal income tax revenues declined slightly, as higher final settlement payments related to the 2000 taxation year were more than offset by lower tax deductions from employment income, higher refunds and higher Canada Child Tax Benefit payments. The decline in tax deductions from employment income reflected the impact of the tax reduction measures announced in the February 2000 budget and the October 2000 *Economic Statement and Budget Update*, which came into effect on July 1, 2000, and January 1, 2001.
- Corporate income tax revenues were up $0.3 billion, or 14.3 per cent. This increase primarily reflects the tax instalment procedures, as operating profits of Canadian corporations declined in the first quarter of 2001. Corporations are required to remit monthly instalments based on either their previous year's actual tax liability or their current year's projected tax liability, with final settlement payments made within 60 days of the end of their taxation year. Throughout most of 2000-01, monthly tax instalments were based on the tax liability for 1999. However, corporate profits grew strongly in 2000, with the result that the monthly instalment payments understated the final tax liability for 2000-01. With monthly instalments now based on the tax liability for 2000, the year-over-year change in the monthly results could be misleading.
- Employment insurance (EI) premium revenues were virtually unchanged, as the decline in premium rates (the employee rate for 2001 is $2.25 per $100 of insurable earnings compared to $2.40 in 2000) offset the impact of the growth in the number of people employed and therefore paying premiums.
- Excise taxes and duties were down $0.2 billion, or 6.3 per cent. This decline reflected the timing of the payments of goods and services tax refunds and rebates, as noted in the April 2001 *Fiscal Monitor*.
- Non-tax revenues were down sharply, primarily reflecting the timing of receipts.

Table 1
Summary statement of transactions

	May		April to May	
	2000	2001	2000-01	2001-02
	($ millions)			
Budgetary transactions				
Revenues	15,432	15,353	30,370	32,601
Program spending	-8,547	-9,062	-17,165	-18,370
Operating surplus	6,885	6,291	13,205	14,231
Public debt charges	-3,387	-3,405	-6,754	-6,794
Budgetary balance (deficit/surplus)	3,498	2,886	6,451	7,437
Non-budgetary transactions	2,711	1,853	-2,541	-3,139
Financial requirements/source (excluding foreign exchange transactions)	6,209	4,739	3,910	4,298
Foreign exchange transactions	658	-295	1,613	-137
Net financial balance	6,867	4,444	5,523	4,161
Net change in borrowings	149	-883	-5,640	-813
Net change in cash balances	7,016	3,561	-117	3,348
Cash balance at end of period			12,743	16,530

Note: Positive numbers indicate a net source of funds. Negative numbers indicate a net requirement for funds.

On a year-over-year basis, program spending increased by $0.5 billion, or 6.0 per cent. Among the major components:

- Major transfers to persons were up 3.1 per cent, reflecting higher elderly benefit payments as EI payments were lower.
- Major transfers to other levels of government were up 14.8 per cent, reflecting higher cash transfers under the Canada Health and Social Transfer (CHST). The increase in the CHST reflected the September 2000 agreement reached by first ministers to increase base funding from $13.5 billion in 2000-01 to $17.3 billion in 2001-02. The decline in fiscal transfers was attributable to the timing of transfers to the territories.
- Direct program spending, consisting of total program spending less the major transfers to persons and other levels of government, increased by 3.6 per cent. Subsidies and other transfers, and payments to Crown corporations, were up strongly, largely offset by lower operating and capital expenditures.

The monthly fluctuations in these components are due in large part to the timing of payments.

Public debt charges, on a year-over-year basis, were up slightly, as an increase in the average effective interest rate largely offset the impact of the decline in the stock of interest-bearing debt.

April 2001 to May 2001: budgetary results

Over the first two months of fiscal year 2001-02, the budgetary surplus was estimated at $7.4 billion, up $1 billion from the surplus reported in the same period of 2000-01. This increase in the surplus primarily reflects personal income tax settlement payments with respect to the 2000 taxation year.

Budgetary revenues were up $2.2 billion, or 7.3 per cent, on a year-over-year basis. Among the major components:

- Personal income tax collections were up $1.6 billion, or 10.6 per cent. All of this increase was attributable to final tax payments with respect to the 2000 taxation year, reflecting

Table 2
Budgetary revenues

	May			April to May		
	2000	2001	Change	2000-01	2001-02	Change
	($ millions)		(%)	($ millions)		(%)
Income taxes						
Personal income tax	7,279	7,225	-0.7	14,628	16,178	10.6
Corporate income tax	2,076	2,373	14.3	4,039	4,519	11.9
Other income tax revenue	250	305	22.0	593	670	13.0
Total income tax	9,605	9,903	3.1	19,260	21,367	10.9
Employment insurance premium revenues	1,775	1,770	-0.3	3,559	3,579	0.6
Excise taxes and duties						
Goods and services tax	2,520	2,158	-14.4	4,597	4,607	0.2
Customs import duties	130	226	73.8	290	395	36.2
Sales and excise taxes	681	736	8.1	1,293	1,382	6.9
Total excise taxes and duties	3,331	3,120	-6.3	6,180	6,384	3.3
Total tax revenues	14,711	14,793	0.6	28,999	31,330	8.0
Non-tax revenues	721	560	-22.3	1,371	1,271	-7.3
Total budgetary revenues	15,432	15,353	-0.5	30,370	32,601	7.3

extraordinary developments in taxation year 2000. These included, among others, strong increases in capital gains for the 2000 taxation year. Dampening the impact of these settlement payments were higher refunds, reflecting the faster processing of returns to date, and the impact of the tax reduction measures announced in the February 2000 budget and the October 2000 *Economic Statement and Budget Update*. The tax reduction measures include the reduction in personal income tax rates, the elimination of the 5-per-cent surtax, increases in the thresholds, the restoration of full indexation of the personal income tax system and related benefits, and increases in the Canada Child Tax Benefit.

- Corporate income tax revenues were up $0.5 billion, or 11.9 per cent. This is considerably stronger than the reported increase in corporate profits so far this year, which suggests that the current experience reflects the effects of the remittance procedures and should be reversed once corporations file their final payments following the end of their taxation year.
- EI premium revenues were up marginally, as the decline in premium rates for 2000 and 2001 virtually offset the impact of prior-year adjustments and the growth in the number of people employed and therefore paying premiums. The employee rate for 2001 is $2.25 per $100 of insurable earnings, compared to $2.40 in 2000 and $2.55 in 1999.
- Excise taxes and duties increased by $0.2 billion, or 3.3 per cent. Most of the increase was the result of higher customs import duties.
- Non-tax revenues were down 7.3 per cent.

Program spending increased by $1.2 billion, or 7.0 per cent, in the April 2001 to May 2001 period, compared to the same period last year.

- Transfers to persons were up 3.9 per cent, attributable to higher elderly benefits, reflecting an increase in the number of individuals eligible for benefits and higher average benefits, which are indexed to inflation, and an increase in EI benefit payments.

Table 3

Budgetary expenditures

	May			April to May		
	2000	2001	Change	2000-01	2001-02	Change
	($ millions)		(%)	($ millions)		(%)
Transfer payments to:						
Persons						
Elderly benefits	1,972	2,091	6.0	3,969	4,154	4.7
Employment insurance benefits	906	875	-3.4	1,944	1,988	2.3
Total	2,878	2,966	3.1	5,913	6,142	3.9
Other levels of government						
Canada Health and Social Transfer	1,125	1,442	28.2	2,250	2,883	28.1
Fiscal transfers	1,064	1,035	-2.7	1,895	2,041	7.7
Alternative Payments for Standing Programs	-205	-200	-2.4	-411	-400	-2.7
Total	1,984	2,277	14.8	3,734	4,524	21.2
Direct program spending						
Subsidies and other transfers						
Agriculture	14	192	1,271.4	22	230	945.5
Foreign Affairs	89	62	-30.3	144	184	27.8
Health	125	188	50.4	188	198	5.3
Human Resources Development	60	127	111.7	68	152	123.5
Indian and Northern Development	317	225	-29.0	1,158	916	-20.9
Industry and Regional Development	124	40	-67.7	152	152	0.0
Veterans Affairs	121	124	2.5	237	242	2.1
Other	96	162	68.8	340	382	12.4
Total	946	1,120	18.4	2,309	2,456	6.4
Payments to Crown corporations						
Canadian Broadcasting Corporation	42	40	-4.8	215	240	11.6
Canada Mortgage and Housing Corporation	150	158	5.3	300	316	5.3
Other	65	92	41.5	205	293	42.9
Total	257	290	12.8	720	849	17.9
Operating and capital expenditures						
Defence	667	602	-9.7	1,157	1,207	4.3
All other departmental expenditures	1,815	1,807	-0.4	3,332	3,192	-4.2
Total	2,482	2,409	-2.9	4,489	4,399	-2.0
Total direct program spending	3,685	3,819	3.6	7,518	7,704	2.5
Total program expenditures	8,547	9,062	6.0	17,165	18,370	7.0
Public debt charges	3,387	3,405	0.5	6,754	6,794	0.6
Total budgetary expenditures	11,934	12,467	4.5	23,919	25,164	5.2
Memorandum item:						
Total transfers	5,808	6,363	9.6	11,956	13,122	9.8

- Major transfers to other levels of government were up 21.2 per cent, reflecting higher cash transfers under the CHST and fiscal transfers programs. The increase in the CHST reflected the September 2000 agreement reached by first ministers to increase base funding from $13.5 billion in 2000-01 to $17.3 billion in 2001-02. The increase in fiscal transfers was primarily due to higher equalization entitlements, reflecting the continued stronger growth in Ontario than in the equalization-receiving provinces.
- Direct program spending, consisting of total program spending less the major transfers to persons and other levels of government, increased by 2.5 per cent. During the first few months of the fiscal year, developments in this component are largely affected by the timing of payments.

Public debt charges were virtually unchanged, as the impact of the decline in the stock of interest-bearing debt was offset by an increase in the average effective interest rate on that debt.

Financial source of $4.3 billion (excluding foreign exchange transactions) for April 2001 to May 2001

The budgetary balance is presented on a modified accrual basis of accounting, recording government liabilities when they are incurred, regardless of when the cash payment is made. In addition, the budgetary balance includes only those activities over which the Government has legislative control.

In contrast, financial requirements/source measures the difference between cash coming in to the Government and cash going out. Financial requirements/source differs from the budgetary balance as the former includes transactions in loans, investments and advances, federal employees' pension accounts, other specified purpose accounts, and changes in other financial assets and liabilities. These activities are included as part of non-budgetary transactions. The conversion from accrual to cash is also reflected in non-budgetary transactions.

Non-budgetary transactions resulted in a net requirement of $3.1 billion in the first two months of 2001-02, compared to a net requirement of $2.5 billion in the same period in 2000-01.

As a result, with a budgetary surplus of $7.4 billion and a net requirement of $3.1 billion from non-budgetary transactions, there was a financial source (excluding foreign exchange transactions) of $4.3 billion in the April 2001 to May 2001 period, compared to a financial source of $3.9 billion in the same period last year.

Net financial source of $4.2 billion for April 2001 to May 2001

Foreign exchange transactions represent all transactions in international reserves held in the Exchange Fund Account. The purpose of the Exchange Fund Account is to promote order and stability in the foreign exchange market. The buying of Canadian dollars represents a source of funds from exchange fund transactions, while the selling of Canadian dollars represents a requirement. Changes in foreign currency liabilities, which are undertaken to change the level of Canada's foreign exchange reserves, also impact on foreign exchange transactions. Taking all of these factors into account, there was a net requirement of $0.1 billion in the first two months of 2001-02, compared to a net source of $1.6 billion in the same period in 2000-01.

With a budgetary surplus of $7.4 billion, a net requirement of $3.1 billion from non-budgetary transactions and a net requirement of $0.1 billion from foreign exchange transactions, there was a net financial source of $4.2 billion in the April 2001 to May 2001 period, compared to a net source of $5.5 billion in the same period in 2000-01.

Net borrowings down $0.8 billion for April 2001 to May 2001

This financial source has allowed the Government to reduce its holding of market debt by $0.8 billion to the end of May 2001. In addition, cash balances increased by $3.3 billion to stand at $16.5 billion. The level of cash balances varies from month to month based on a number of factors including periodic large debt maturities, which can be quite volatile on a monthly basis.

Table 4

The budgetary balance and financial requirements/source

	May		April to May	
	2000	2001	2000-01	2001-02
		($ millions)		
Budgetary balance (deficit/surplus)	3,498	2,886	6,451	7,437
Loans, investments and advances				
Crown corporations	7	47	7	180
Other	-10	-42	96	-57
Total	-3	5	103	123
Specified purpose accounts				
Canada Pension Plan Account	219	627	-175	227
Superannuation accounts	236	-241	543	-193
Other	-47	31	-90	51
Total	398	417	278	85
Other transactions	2,316	1,431	-2,922	-3,347
Total non-budgetary transactions	2,711	1,853	-2,541	-3,139
Financial requirements/source (excluding foreign exchange transactions)	6,209	4,739	3,910	4,298
Foreign exchange transactions	658	-295	1,613	-137
Net financial balance	6,867	4,444	5,523	4,161

Table 5

Net financial balance and net borrowings

	May		April to May	
	2000	2001	2000-01	2001-02
		($ millions)		
Net financial balance	6,867	4,444	5,523	4,161
Net increase (+)/decrease (-) in borrowings				
Payable in Canadian dollars				
Marketable bonds	3,362	-225	5,262	1,146
Canada Savings Bonds	-141	-79	-147	-80
Treasury bills	-1,700	-300	-8,950	-1,000
Other	200	0	-200	0
Total	1,721	-604	-3,635	66
Payable in foreign currencies				
Marketable bonds	-2,174	-1,576	-2,174	-1,576
Notes and loans				
Canada bills	602	1,360	169	870
Canada notes		-63		-173
Total	-1,572	-279	-2,005	-879
Net change in borrowings	149	-883	-5,640	-813
Change in cash balance	7,016	3,561	-117	3,348

Table 6

Condensed statement of assets and liabilities

	March 31, 2001	May 31, 2001	Change
		($ millions)	
Liabilities			
Accounts payable, accruals and allowances	43,511	40,164	-3,347
Interest-bearing debt			
Pension and other accounts			
Public sector pensions	129,692	129,499	-193
Canada Pension Plan (net of securities)	6,409	6,636	227
Other pension and other accounts	7,080	7,131	51
Total pension and other accounts	143,181	143,266	85
Unmatured debt			
Payable in Canadian dollars			
Marketable bonds	294,627	295,773	1,146
Treasury bills	88,700	87,700	-1,000
Canada Savings Bonds	25,753	25,673	-80
Other	3,473	3,473	0
Subtotal	412,553	412,619	66
Payable in foreign currencies	33,171	32,292	-879
Total unmatured debt	445,724	444,911	-813
Total interest-bearing debt	588,905	588,177	-728
Total liabilities	632,416	628,341	-4,075
Assets			
Cash and accounts receivable	18,612	21,960	3,348
Foreign exchange accounts	50,010	50,147	137
Loans, investments and advances (net of allowances)	14,268	14,145	-123
Total assets	82,890	86,252	3,362
Accumulated deficit (net public debt)	549,526	542,089	-7,437

Note: Assumes fiscal balance of $15 billion for 2000-01.

Note to Readers:

The Government's financial statements are presented on a modified accrual basis of accounting. This means that while most operating expenditures and non-tax revenues are recorded in the financial statements when they are incurred or earned (even if cash is not paid out or received until later), tax revenues are accounted for when cash is received and the entire amount of capital acquisitions, such as buildings, are treated as expenditures when acquired. In the February 1995 budget the Government announced its intention to adopt full accrual accounting. To this end, it has successfully introduced the Financial Information Strategy (FIS), a multi-year project which modernized financial systems and accounting practices. FIS consists of three components: the implementation of new financial systems, the adoption of full accrual accounting, and the provision of improved financial information to managers. In the 2000 budget the Government set a target date of 2001-02 for implementation of the first two components of FIS.

For the time being the monthly results for 2001-02 will continue to be presented on a modified accrual basis of accounting. However, the final audited financial statements for 2001-02, scheduled for release in the fall of 2002, will be presented on a full accrual basis of accounting. Previous years' results will also be restated on a full accrual basis. For more information, see the backgrounder *Implementation of Full Accrual Accounting in the Federal Government's Financial Statements* at www.fin.gc.ca.

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The Fiscal Monitor

A Publication of the Department of Finance

Highlights

June 2001: budgetary surplus of $2.5 billion

There was a budgetary surplus of $2.5 billion in June 2001, up slightly from the surplus of $2.3 billion in June 2000. This year-over-year increase was attributable to somewhat higher budgetary revenues, as total expenditures were virtually unchanged.

April 2001 to June 2001: budgetary surplus of $9.9 billion

The budgetary surplus was estimated at $9.9 billion for the April 2001 to June 2001 period, compared to the surplus of $8.7 billion reported in the same period of 2000-01. The increase in the year-over-year surplus was largely attributable to higher personal income tax settlement payments with respect to the 2000 taxation year. These payments related to extraordinary developments, primarily the strong increase in capital gains for the 2000 taxation year.

June 2001: budgetary results

Budgetary revenues increased $0.2 billion, or 1.1 per cent, in June 2001 on a year-over-year basis. Among the major components, only personal income tax revenues were lower.

- Personal income tax revenues declined by $0.5 billion, or 7.4 per cent, primarily reflecting lower deductions from employment income, largely attributable to the impact of the tax reduction measures announced in the February 2000 budget and the October 2000 *Economic Statement and Budget Update*, which came into effect on July 1, 2000, and January 1, 2001. Lower refunds, reflecting timing factors, served to dampen the overall decline.
- Corporate income tax revenues were up $0.2 billion, or 8.0 per cent. As noted in previous Fiscal Monitors, the current year-over-year increase primarily reflects the tax instalment procedures, as operating profits of Canadian corporations declined in the first quarter of 2001. Corporations are required to remit monthly instalments based on either their previous year's actual tax liability or their current year's projected tax liability, with final settlement payments made within 60 days of the end of their taxation year. Throughout most of 2000-01, monthly tax instalments were based on the tax liability for 1999. However, corporate profits grew strongly in 2000, with the result that the monthly instalment payments understated the final tax liability for 2000-01. With monthly instalments now based on the tax liability for 2000, the year-over-year change in the monthly results could be misleading.
- Employment insurance (EI) premium revenues were virtually unchanged, as the decline in premium rates (the employee rate for 2001 is $2.25 per $100 of insurable earnings compared to $2.40 in 2000) offset the impact of the growth in the number of people employed and therefore paying premiums.
- Excise taxes and duties were up $0.4 billion, or 14.7 per cent. This increase reflected strong advances in both goods and service tax revenues and customs import duties, in part attributable to the timing of payments and refunds.
- Non-tax revenues were up strongly, primarily reflecting the timing of receipts.

Table 1

Summary statement of transactions

	June		April to June	
	2000	2001	2000-01	2001-02
	($ millions)			
Budgetary transactions				
Revenues	14,860	15,029	45,229	47,631
Program spending	-9,113	-9,446	-26,276	-27,816
Operating surplus	5,747	5,583	18,953	19,815
Public debt charges	-3,450	-3,111	-10,205	-9,904
Budgetary balance (deficit/surplus)	2,297	2,472	8,748	9,911
Non-budgetary transactions	-7,253	-7,567	-9,802	-10,704
Financial requirements/source (excluding foreign exchange transactions)	-4,956	-5,095	-1,054	-793
Foreign exchange transactions	555	449	2,168	312
Net financial balance	-4,401	-4,646	1,114	-481
Net change in borrowings	353	-8,170	-5,286	-8,983
Net change in cash balances	-4,048	-12,816	-4,172	-9,464
Cash balance at end of period			8,789	3,708

Note: Positive numbers indicate a net source of funds. Negative numbers indicate a net requirement for funds.

On a year-over-year basis, program spending increased by $0.3 billion, or 3.7 per cent, reflecting strong increases in transfers to persons and other levels of government, dampened by lower direct program spending. Among the major components:

- Major transfers to persons were up $0.2 billion, or 8.4 per cent, reflecting both higher elderly and EI benefit payments. The increase in EI benefit payments primarily reflects the impact of policy enhancements announced in the February 2000 budget and last September.
- Major transfers to other levels of government were up $0.4 billion, or 20.4 per cent, reflecting higher cash transfers under the Canada Health and Social Transfer (CHST) and fiscal transfer programs. The increase in the CHST reflected the September 2000 agreement reached by first ministers to increase base funding from $13.5 billion in 2000-01 to $17.3 billion in 2001-02. The increase in fiscal transfers is attributable to higher equalization entitlements.
- Direct program spending, consisting of total program spending less major transfers to persons and other levels of government, declined by $0.3 billion, or 6.4 per cent. Subsidies and other transfers, payments to Crown corporations and non-defence departmental operating and capital expenditures were lower. The monthly fluctuations in these components are due in large part to the timing of payments.

Public debt charges, on a year-over year basis, were down $0.3 billion, or 9.8 per cent, largely reflecting adjustments to previous months' estimates.

April 2001 to June 2001: budgetary results

Over the first three months of fiscal year 2001-02, the budgetary surplus was estimated at $9.9 billion, up $1.2 billion from the surplus reported in the same period of 2000-01. This increase in the surplus primarily reflects higher personal income tax settlement payments with respect to the 2000 taxation year.

Table 2

Budgetary revenues

	June			April to June		
	2000	2001	Change	2000-01	2001-02	Change
	($ millions)		(%)	($ millions)		(%)
Income taxes						
Personal income tax	7,215	6,682	-7.4	21,842	22,860	4.7
Corporate income tax	2,141	2,312	8.0	6,180	6,832	10.6
Other income tax revenue	218	243	11.5	811	913	12.6
Total income tax	9,574	9,237	-3.5	28,833	30,605	6.1
Employment insurance premium revenues	1,750	1,748	-0.1	5,309	5,327	0.3
Excise taxes and duties						
Goods and services tax	1,898	2,196	15.7	6,495	6,804	4.8
Customs import duties	165	278	68.5	455	673	47.9
Sales and excise taxes	786	794	1.0	2,079	2,174	4.6
Total excise taxes and duties	2,849	3,268	14.7	9,029	9,651	6.9
Total tax revenues	14,173	14,253	0.6	43,171	45,583	5.6
Non-tax revenues	687	776	13.0	2,058	2,048	-0.5
Total budgetary revenues	14,860	15,029	1.1	45,229	47,631	5.3

Budgetary revenues were up $2.4 billion, or 5.3 per cent, on a year-over-year basis. Among the major components:

- Personal income tax collections were up $1.0 billion, or 4.7 per cent. All of this increase was attributable to final tax payments received in April and May with respect to the 2000 taxation year, reflecting extraordinary developments in taxation year 2000, primarily strong increases in capital gains. Dampening the impact of these settlement payments was the impact of the tax reduction measures announced in the February 2000 budget and the October 2000 *Economic Statement and Budget Update*. These included the reduction in personal income tax rates, the elimination of the 5-per-cent surtax, increases in the thresholds, the restoration of full indexation of the personal income tax system and related benefits, and increases in the Canada Child Tax Benefit.
- Corporate income tax revenues were up $0.7 billion, or 10.6 per cent. This is considerably stronger than the reported increase in corporate profits so far this year, which suggests that the current experience reflects the effects of the remittance procedures and should be revised once corporations adjust their remittances to reflect weaker profits in 2001.
- EI premium revenues were up marginally, as the decline in premium rates for 2000 and 2001 virtually offset the impact of prior-year adjustments and the growth in the number of people employed and therefore paying premiums. The employee rate for 2001 is $2.25 per $100 of insurable earnings, compared to $2.40 in 2000 and $2.55 in 1999.
- Excise taxes and duties increased by $0.6 billion, or 6.9 per cent, in line with the underlying increase in consumer expenditures.
- Non-tax revenues were down slightly.

Program spending increased by $1.5 billion, or 5.9 per cent, in the April 2001 to June 2001 period, compared to the same period last year.

- Transfers to persons were up 5.3 per cent, attributable to higher elderly and EI benefit payments. The increase in elderly benefit

Table 3

Budgetary expenditures

	June			April to June		
	2000	2001	Change	2000-01	2001-02	Change
	($ millions)		(%)	($ millions)		(%)
Transfer payments to:						
Persons						
Elderly benefits	1,967	2,050	4.2	5,936	6,204	4.5
Employment insurance benefits	757	903	19.3	2,702	2,891	7.0
Total	2,724	2,953	8.4	8,638	9,095	5.3
Other levels of government						
Canada Health and Social Transfer	1,125	1,442	28.2	3,375	4,325	28.1
Fiscal transfers	991	1,057	6.7	2,886	3,099	7.4
Alternative Payments for Standing Programs	-206	-200	-2.9	-617	-600	-2.8
Total	1,910	2,299	20.4	5,644	6,824	20.9
Direct program spending						
Subsidies and other transfers						
Agriculture	5	152		27	381	
Foreign Affairs	99	141	42.4	243	325	33.7
Health	66	75	13.6	254	273	7.5
Human Resources Development	228	86	-62.3	296	239	-19.3
Indian and Northern Development	323	255	-21.1	1,481	1,171	-20.9
Industry and Regional Development	131	174	32.8	283	326	15.2
Veterans Affairs	118	123	4.2	355	366	3.1
Other	474	162	-65.8	812	542	-33.3
Total	1,444	1,168	-19.1	3,751	3,623	-3.4
Payments to Crown corporations						
Canadian Broadcasting Corporation	70	80	14.3	285	320	12.3
Canada Mortgage and Housing Corporation	170	158	-7.1	470	474	0.9
Other	144	96	-33.3	349	389	11.5
Total	384	334	-13.0	1,104	1,183	7.2
Operating and capital expenditures						
Defence	874	1,109	26.9	2,032	2,318	14.1
All other departmental expenditures	1,777	1,583	-10.9	5,107	4,773	-6.5
Total	2,651	2,692	1.5	7,139	7,091	-0.7
Total direct program spending	4,479	4,194	-6.4	11,994	11,897	-0.8
Total program expenditures	9,113	9,446	3.7	26,276	27,816	5.9
Public debt charges	3,450	3,111	-9.8	10,205	9,904	-2.9
Total budgetary expenditures	12,563	12,557	0.0	36,481	37,720	3.4
Memorandum item:						
Total transfers	6,078	6,420	5.6	18,033	19,542	8.4

payments reflects an increase in the number of individuals eligible for benefits and higher average benefits, which are indexed to inflation. The increase in EI benefit payments primarily reflects the impact of the program enhancements.

- Major transfers to other levels of government were up 20.9 per cent, reflecting higher cash transfers under the CHST and fiscal transfer programs. The increase in the CHST reflected the September 2000 agreement reached by first ministers to increase base funding from $13.5 billion in 2000-01 to $17.3 billion in 2001-02. The increase in fiscal transfers was primarily due to higher equalization entitlements, reflecting the continued stronger growth in Ontario than in the equalization-receiving provinces.
- Direct program spending, consisting of total program spending less the major transfers to persons and other levels of government, declined by 0.8 per cent. During the first few months of the fiscal year, developments in this component are largely affected by the timing of payments.

Public debt charges were down 2.9 per cent, reflecting the impact of declines in both the stock of interest-bearing debt and in the average effective interest rate on that debt.

Financial requirement of $0.8 billion (excluding foreign exchange transactions) for April 2001 to June 2001

The budgetary balance is presented on a modified accrual basis of accounting, recording government liabilities when they are incurred, regardless of when the cash payment is made. In addition, the budgetary balance includes only those activities over which the Government has legislative control.

In contrast, financial requirements/source measures the difference between cash coming in to the Government and cash going out. Financial requirements/source differs from the budgetary balance as the former includes transactions in loans, investments and advances, federal employees' pension accounts, other specified purpose accounts, and changes in other financial assets and liabilities. These activities are included as part of non-budgetary transactions. The conversion from accrual to cash is also reflected in non-budgetary transactions.

Non-budgetary transactions resulted in a net requirement of $10.7 billion in the first three months of 2001-02, compared to a net requirement of $9.8 billion in the same period in 2000-01. Traditionally, there are large requirements in the first half of any fiscal year, reflecting the payment of personal income tax refunds and certain liabilities, which were recognized in previous years' budgetary results.

As a result, with a budgetary surplus of $9.9 billion and a net requirement of $10.7 billion from non-budgetary transactions, there was a financial requirement (excluding foreign exchange transactions) of $0.8 billion in the April 2001 to June 2001 period, compared to a net requirement of $1.1 billion in the same period last year.

Net financial requirement of $0.5 billion for April 2001 to June 2001

Foreign exchange transactions represent all transactions in international reserves held in the Exchange Fund Account. The purpose of the Exchange Fund Account is to promote order and stability in the foreign exchange market. The buying of Canadian dollars represents a source of funds from exchange fund transactions, while the selling of Canadian dollars represents a requirement. Changes in foreign currency liabilities, which are undertaken to change the level of Canada's foreign exchange reserves, also impact on foreign exchange transactions. Taking all of these factors into account, there was a net source of $0.3 billion in the first three months of 2001-02, compared to a net source of $2.2 billion in the same period in 2000-01.

With a budgetary surplus of $9.9 billion, a net requirement of $10.7 billion from non-budgetary transactions and a net source of $0.3 billion from foreign exchange transactions, there was a net financial requirement of $0.5 billion in the April 2001 to June 2001 period, compared to a net source of $1.1 billion in the same period in 2000-01.

Table 4

The budgetary balance and financial requirements/source

	June		April to June	
	2000	2001	2000-01	2001-02
		($ millions)		
Budgetary balance (deficit/surplus)	2,297	2,472	8,748	9,911
Loans, investments and advances				
Crown corporations	188	52	196	232
Other	18	92	113	34
Total	206	144	309	266
Specified purpose accounts				
Canada Pension Plan Account	150	-670	-26	-443
Superannuation accounts	97	-302	640	-496
Other	-134	-75	-227	-22
Total	113	-1,047	387	-961
Other transactions	-7,572	-6,664	-10,498	-10,009
Total non-budgetary transactions	-7,253	-7,567	-9,802	-10,704
Financial requirements/source (excluding foreign exchange transactions)	-4,956	-5,095	-1,054	-793
Foreign exchange transactions	555	449	2,168	312
Net financial balance	-4,401	-4,646	1,114	-481

Table 5

Net financial balance and net borrowings

	June		April to June	
	2000	2001	2000-01	2001-02
		($ millions)		
Net financial balance	-4,401	-4,646	1,114	-481
Net increase (+)/decrease (-) in borrowings				
Payable in Canadian dollars				
Marketable bonds	3,963	-3,187	9,226	-2,041
Canada Savings Bonds	-256	-86	-403	-166
Treasury bills	-3,600	-3,600	-12,500	-4,600
Other	500	-4	700	-4
Total	607	-6,877	-2,977	-6,811
Payable in foreign currencies				
Marketable bonds			-2,174	-1,576
Notes and loans		-41		-41
Canada bills	-254	1,252	-85	-382
Canada notes				-173
Total	-254	1,211	-2,259	-2,172
Net change in borrowings	353	-5,666	-5,236	-8,983
Change in cash balance	-4,048	-10,312	-4,122	-9,464

Table 6

Condensed statement of assets and liabilities

	March 31, 2001	June 30, 2001	Change
		($ millions)	
Liabilities			
Accounts payable, accruals and allowances	43,511	33,502	-10,009
Interest-bearing debt			
Pension and other accounts			
Public sector pensions	129,692	129,196	-496
Canada Pension Plan (net of securities)	6,409	5,966	-443
Other pension and other accounts	7,080	7,058	-22
Total pension and other accounts	143,181	142,220	-961
Unmatured debt			
Payable in Canadian dollars			
Marketable bonds	294,627	292,586	-2,041
Treasury bills	88,700	84,100	-4,600
Canada Savings Bonds	25,753	25,587	-166
Other	3,473	3,469	-4
Subtotal	412,553	405,742	-6,811
Payable in foreign currencies	33,171	30,999	-2,172
Total unmatured debt	445,724	436,741	-8,983
Total interest-bearing debt	588,905	578,961	-9,944
Total liabilities	632,416	612,463	-19,953
Assets			
Cash and accounts receivable	18,612	9,148	-9,464
Foreign exchange accounts	50,010	49,698	-312
Loans, investments and advances (net of allowances)	14,268	14,002	-266
Total assets	82,890	72,848	-10,042
Accumulated deficit (net public debt)	549,526	539,615	-9,911

Note: Assumes fiscal balance of $15 billion for 2000-01.

Net borrowings down $9 billion for April 2001 to June 2001

Although there was a net financial requirement in the first three months of 2001-02, the Government did reduce its holding of market debt by $9 billion through the drawing down of cash balances. The level of cash balances varies from month to month based on a number of factors including periodic large debt maturities, which can be quite volatile on a monthly basis. At the end of June 2001, they stood at $3.7 billion, down $9.5 billion from March 31, 2001.

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